

**MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS
COMMITTEE MEETING
December 14, 2010 at 3:00 P. M.
Room 445, State Capitol, State Capitol Complex**

Members Present: Sen. Lyle W. Hillyard, Co-Chair
Rep. Ron Bigelow, Co-Chair
Rep. Bradley G. Last, Vice Chair
Rep. Douglas C. Aagard
Rep. David Clark, Speaker
Rep. Brad L. Dee
Sen. Scott K. Jenkins
Sen. Patricia W. Jones
Sen. Peter C. Knudson
Sen. Karen Mayne
Rep. David Litvack
Rep. Rebecca D. Lockhart
Rep. Carol Spackman Moss
Sen. Wayne L. Niederhauser
Sen. Luz Robles
Sen. Ross I. Romero
Rep. Jennifer M. Seelig
Sen. Michael G. Waddoups, President

Members Excused: Sen. Daniel R. Liljenquist, Vice Chair
Rep. James R. Gowans

Staff Present: Jonathan Ball, Legislative Fiscal Analyst
Steven Allred, Deputy Director
Greta Rodebush, Legislative Secretary

Speakers Present: Becky Bruso, Governor's Office of Planning and Budget
Patrick Lee, Office of the Legislative Fiscal Analyst
Jonathan Hardy, Department of Community and Culture
Dr. Robert Rolfs, Department of Health
Dr. Andrea Wilko, Office of the Legislative Fiscal Analyst
Dr. Thomas Young, Office of the Legislative Fiscal Analyst

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to Order/Approval of Minutes

Co-Chair Hillyard called the meeting to order at 3:00 p.m. The committee did not take any action on the minutes for November 16, 2010 at this time.

2. Federal Funds/ARRA/Non-Federal Grants Reports

Becky Bruso, Governor's Office of Planning and Budget, presented the Federal Funds/ARRA/Non-Federal Grants Report through November 30, 2010. There were four new federal grants and no federal reapplications of existing grants requiring legislative action. The Governor's Office approved two new federal grants and one federal reapplication of an existing grant.

Ms. Bruso noted that there were no new ARRA or non-federal grants to approve this month.

Committee discussion

President Waddoups inquired about the two new federal grants for the Department of Community and Culture (DCC), Continuum of Care Homeless Assistance Competition - Salt Lake County 2, and Continuum of Care Homeless Assistance Competition - Balance of State 2. The state match is \$44,696.

Jonathan Hardy, Director, Division of Housing and Community Development, explained that grant monies will support the Homeless Management Information System (HMIS) statewide which allows for tracking achievements within programs. Grant monies will be used to employ an individual to study and measure data for new federal requirements. The grant also allows Utah to qualify for \$4 million in federal funding for non-profit homeless services. Mr. Hardy stated that in the past, DCC has used funds from the Pamela Atkinson Homeless Trust Fund to meet the match requirement. He suggested that match monies could also be raised by billing the non-profit agencies participating in the system.

President Waddoups asked how the federal grant approved by the Governor's Office for Education, Striving Readers Comprehensive Literary Program State Formula Grant was going to create literacy in the state. The federal award is \$150,000 with no state match.

Todd Hauber, Associate Superintendent, Utah State Office of Education (USOE), explained that the grant creates a 9-member State Literacy Team that will assist the state in developing a comprehensive literacy plan. The plan will be implemented through the regular channels for reading.

President Waddoups asked about the reapplication approved by the Governor's Office, Department of Health, Improving Health and Educational Outcomes for Youth. The federal award is \$49,940 with no state match. President Waddoups wanted to know what is being done with the Youth Risk Behavior Survey data that is being collected in Utah's high schools.

Dr. Robert Rolfs, Department of Health, stated that the Youth Risk Survey is part of a national survey that provides data needed to measure key health behaviors in adolescence and adulthood such as tobacco use, physical activity, and nutrition. The funding pays for a portion of an employee who analyzes and oversees the data collection. Dr. Rolfs stated that this information is critical and helps guide public health policy.

President Waddoups asked Dr. Rolfs to provide him within the next three weeks, an example of what the program has done in the last year that was so critical. Dr. Rolfs stated that he would follow up on this request.

Sen. Jenkins asked if the state match for the Community and Culture's grant programs is new money or money within their budget. Mr. Hardy stated that the state match comes from within the existing budget.

MOTION: Co-Chair Bigelow moved to recommend acceptance of the federal grants as outlined on page 1 of the packet entitled, "Federal/Non-Federal Grants Review and Approval" under the heading, "Grants Requiring EAC Review and Recommendation" and dated today, December 14, 2010.

SUBSTITUTE MOTION: President Waddoups moved to approve the grants as indicated in the original motion with the following exception, that the two grants for Community and Culture be approved but an alternative matching source be found, such as the Pamela Atkinson Trust Fund, and that the funding for Education's Striving Readers Comprehensive Literacy Program State Formula Grant be used for teaching rather than planning.

Ms. Brusso clarified that the state match for the DCC grants is currently coming from the Pamela Atkinson Fund appropriated from the General Fund. She commented that the alternative option would be to find matching funds from the local entities that provide homeless services.

President Waddoups reiterated that his substitute motion still approves the grants but recommends that an alternative matching source be found.

Rep. Litvack asked President Waddoups if his substitute motion to look for alternative funding prohibits the use of General Funds. President Waddoups said that it did. Rep. Litvack asked about the alternative of going out into the community to raise those funds. Mr. Hardy stated that they could invoice entities participating in the system. There are about 45 non-profit agencies or associations of governments that are participating in the system.

Rep. Litvack asked President Waddoups to clarify his position on the Striving Readers Comprehensive Literacy Program Grant Formula. President Waddoups stated that he was fine with teaching teachers how to do literary, fine with teaching kids how to be literate, and fine with having tutors. He was not in favor of creating another bureaucracy to plan.

Rep. Litvack asked Todd Hauber to comment on the Literacy grant. Mr. Hauber stated that the comprehensive literacy plan will be the tool used to train teachers. He said that a portion of the funds will be used for professional development to train the teachers on how to teach the students, and a portion will be set aside for compensation for professionals to come in and be a part of that team. Rep. Litvack asked if he knew how the \$150,000 would be broken down. Mr. Hauber did not have that information.

Rep. Litvack asked what would happen if EAC did not approve the Literacy grant in today's meeting. Mr. Hauber responded that USOE had received the grant award notification. The performance period began October 1, 2010 and funds could be expended through September 30, 2011. To get into the cycle for curriculum and the training of teachers, USOE would need to have this plan in place by about February, 2011.

Rep. Litvack asked when the next opportunity would be for EAC to approve the Literacy grant if it were not approved today.

Jonathan Ball, LFA, stated that since December is EAC's last interim meeting for the year, federal funds will be considered through the normal appropriations process that begins on January 11, 2011 when the appropriations subcommittees meet. This grant could be heard in one of those subcommittees but the grant would still have to be approved by EAC either in January or February.

Rep. Litvack spoke against the substitute motion. He felt that the Striving Readers Comprehensive Literacy Program State Formula Grant had merit and that training teachers in literacy requires a good plan. In regards to the Continuum of Care Homeless Assistance Competition grants, Rep. Litvack felt that shifting the cost to the nonprofit community was the wrong thing to do. He stated that the Pamela Atkinson Trust Fund is designed for the homeless population and that this is an appropriate use of existing funds. The non profit community is not flush with money. He encouraged the committee to support the underlying motion.

Mr. Ball clarified that EAC does not need to be approve the Literacy grant because it does not fall within approval thresholds. The grant was not included in the Co-Chair's motion. The grant was already approved by the Governor.

Rep. Moss asked if President Waddoups was going to change his motion.

AMENDED SUBSTITUTE MOTION: President Waddoups amended the substitute motion to stipulate that the appropriations subcommittee co-chairs schedule the Literacy grant for a hearing in January of 2011.

Rep. Moss stated that she would like to hear from those who administer the Literacy program.

Rep. Seelig asked President Waddoups to clarify his position on the \$44,696 state match for the Continuum of Care Homeless Assistance Competition grant programs. President Waddoups clarified that the state is not going to pay the \$44,696 and that an alternative source of funding needs to be found.

Rep. Seelig asked DCC how it would bill out the match to the non profit communities. Mr. Hardy stated that billing could be done as a flat user fee or a graded user fee. The Department could seek foundation grants as well. He indicated that the committee that oversees the implementation of the Homeless Management Information System would be responsible for any type of fund raising effort or generating a fee structure.

Rep. Seelig commented that she is interested in outcomes and measures and making sure we get good community value. Mr. Hardy stated that the data helps provide more effective and efficient services to the homeless.

Pres. Waddoups stated that we need to start putting the money where it can be utilized by citizens rather than creating another government bureaucracy.

The motion passed with Sen. Mayne, Sen. Robles, Rep. Litvack, Rep. Moss, and Rep. Seelig voting in opposition.

Co-Chair Hillyard recognized Co-Chair Bigelow for a motion on the minutes.

MOTION: Co-Chair Bigelow moved to approve the minutes of the Executive Appropriations Committee of November 16, 2010 with one correction on page 4, last paragraph: Change November 19, 2010 to November 18, 2010. The motion passed unanimously.

3. Revenue Estimates

Dr. Andrea Wilko, Chief Economist, LFA, presented the revenue estimates for FY 2012 as indicated on page 1 of the sheet entitled, "Revenue Estimates - December 2010" and dated, December 14, 2010. The revised revenue estimate for FY 2011 is \$6.274 million above the FY 2011 February target. The General Fund/Education Fund revenue estimates for FY 2012 is \$216.6 million.

MOTION: Co-Chair Bigelow moved to adopt the revised revenue estimates for Fiscal Year 2011 and the revenue estimates for Fiscal Year 2012 as indicated on page 1 of the sheet entitled, "Revenue Estimates - December 2010" and dated today, December 14, 2010. The motion passed unanimously.

4. Appropriations Limit Estimates

Dr. Thomas Young, Economist, LFA, presented the FY 2011 and FY 2012 appropriations limit estimates as indicated on the sheet entitled, "Appropriations Limit - December 14, 2010."

Dr. Young stated that the estimated appropriations limit in FY 2011 is about \$2.9 billion and \$3 billion in FY 2012, leaving a "cap gap" or new spending limit of about \$780 million in FY 2011 and \$850 million in FY 2012.

Rep. Litvack asked what expenditures are exempt from the cap. Dr. Young said that Public Education, Utah Education Network (UEN), Utah College of Applied Technology (UCAT), and Tax Commission expenditures from the Education Fund are exempt.

MOTION: Co-Chair Bigelow moved to adopt the Fiscal Year 2011 and 2012 appropriations limit estimates as indicated on the sheet entitled, "Appropriations Limit - December 14, 2010." The motion passed unanimously with Rep. Dee absent for the vote.

President Waddoups asked if the EAC will need to adopt an amended projection if final inflation and population numbers change in February. Jonathan Ball stated that at this point in time, the Legislature's budget is well below the appropriations limit. If there came a time when budgets were over the appropriations limit in February, then the Legislature may have to take action at that time.

5. Subcommittee Allocations and Set-Asides

Jonathan Ball, LFA, explained that under JR 302, the Executive Appropriations Committee requires a base budget to be presented to legislators on the first day of General Session. Legislators have ten days to consider the base budget bill. Mr. Ball stated that the next motion guides LFA's preparation of the base budget bill.

MOTION: Co-Chair Bigelow moved to authorize legislative staff to prepare and number "State Agency and Higher Education Base Budget" and "Minimum School Program Base Budget Amendments" as Executive Appropriations Committee bills to be introduced on the first day of the 2011 General Session. Staff shall include in the bills:

1. Ongoing General, Education and Uniform School Fund appropriations defined in the current year's appropriations acts adjusted to a level that eliminates the structural imbalance;
2. Restricted fund reductions included in agency budget requests; and
3. Adjustments to dedicated credits, nonlapsing balances, and federal funds included in agency budget requests as allowed under the Budgetary Procedures Act.

In consultation with the Co-Chairs of the Executive Appropriations Committee, the Legislative Fiscal Analyst may make any technical changes necessary.

Rep. Litvack asked what percentage of cuts would Item 1, eliminating the structural imbalance, represent across the board. Co-Chair Bigelow stated that this represents about 93 percent of ongoing state funds or a 7 percent cut across each budget area.

SUBSTITUTE MOTION: Rep. Litvack moved to amend the underlying motion with the following change to Item 1:

1. Ongoing General, Education and Uniform School Fund appropriations defined in the current year's appropriations acts adjusted to a level that eliminates half the structural imbalance;

Rep. Litvack stated that his substitute motion represents a three and one-half percent cut in the base budget. He stated that this action would put us between the Governor's budget and where this motion started. Eliminating and reducing the structural deficit is critical but it is not fiscally responsible to do it all at once. He noted that last year when the Legislature put together the FY 2011 budget, it made some ongoing commitments with one-time funds. Reducing the structural deficit by one-half helps the Legislature keep last year's commitments.

Sen Niederhauser stated that this is the base budget and not the final budget for the Session. There will be a lot of deliberation in the appropriations subcommittees and everyone needs to realize that this is a starting point in the base budget.

President Waddoups commended Rep. Litvack for his thought process on this issue. He agreed with his comments except for one part, that the Legislature made ongoing commitments with one-time funds. He stated that he made a commitment for the one year because this is how the Legislature budgets. He committed that he would be willing to have some programs that are typically ongoing funded with one-time monies. He disagreed with Rep. Litvack's characterization that we made an ongoing commitment with one-time money.

Sen. Jones stated that Rep. Litvack's approach seems reasonable and rational. She said making budget cuts up front in the base budget creates a lot of angst in the agencies whose very existence depends on these funds. She agreed that we need to correct the structural imbalance, but Rep. Litvack's approach is a more rational way to do it. She expressed her support for the substitute motion.

Rep. Litvack stated that he is particularly concerned about the individuals and the families who are impacted by these proposed budget cuts.

The substitute motion failed with Sen. Jones, Sen. Mayne, Sen Robles, Rep. Litvack, Rep. Moss, and Rep. Seelig voting in favor, with Sen. Romero and Rep. Dee absent for the vote.

A vote was taken on the original motion. The motion passed with Sen. Jones, Sen. Mayne, Sen. Robles, Rep. Litvack, Rep. Moss, and Rep. Seelig voting in opposition, with Sen. Romero and Rep. Dee absent for the vote.

6. Subcommittee Meeting Schedule

Jonathan Ball, LFA, announced that the appropriations subcommittees would be meeting on January 11 and January 19, 2011. The subcommittees will meet in two blocks, "Block A" or "Block B." Each block will meet for half a day on each of those dates with alternating meeting times. The one exception is the Social Services Appropriations Subcommittee, which will hold full day meetings on both dates.

7. Other Business

Co-Chair Hillyard called attention to the report required by statute, "Financial Assistance or Services to Low-Income Individuals & Families," behind Tab 7.

Co-Chair Hillyard noted follow up action taken by the Health and Human Services Appropriations Subcommittee on November 18, 2010 regarding the Department of Human Services In-depth Budget Review, behind Tab 7 as well. With no objections from the committee, EAC will refer the study to the subcommittees for further action.

President Waddoups expressed his appreciation to the Committee and the Co-Chairs. He recognized departing committee members Co-Chair Bigelow, Speaker Clark, Rep. Moss, Rep. Gowans, Rep. Last, Rep. Aagard, Sen. Robles, Sen. Mayne, and Sen. Liljenquist.

President Waddoups asked that the rules be suspended to extend a round of applause.

Co-Chair Hillyard recognized John Nixon, Executive Director, Governor's Office of Planning and Budget, for his leadership and role in the budget process over the last six years. Mr. Nixon accepted a position as the Department of Technology, Management and Budget director for the State of Michigan.

Co-Chair Hillyard recognized Co-Chair Bigelow for a motion.

MOTION: Co-Chair Bigelow moved to adjourn. The motion passed unanimously with Sen. Romero and Rep. Dee absent for the vote.

Co-Chair Bigelow adjourned the meeting at 4:17 p.m.